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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

July 2, 1996

Ex Parte

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

Re: CC 96-98 Implementation of the Local Competition Provisions in the
Telecommunications

Dear Mr. Caton:

The purpose of this letter is to respond to a request by Mr. Richard Metzger for a summary of the issues discussed during our meeting on June 5, 1996. At the request of the Staff, representatives from AT&T, NYNEX and the Common Carrier Bureau met on June 5, 1996 to discuss issues related to unbundled switching. AT&T and NYNEX welcome the opportunity to identify the areas where our two companies share a common perspective on the issues and to clarify our respective positions on those areas where we have not reached a common understanding.

AREAS OF CONSENSUS:

STRUCTURE:

Both parties agree that, pursuant to Section 251 (c) (3) of the Telecommunications Act of 1996 ("Act"), the incumbent local exchange carrier's ("ILEC's") network switching shall be made available on an unbundled basis. This includes availability of ILEC switching apart and unbundled from the loops that traditionally connect switches to end user premises ("loops"), from the trunks or transport facilities that traditionally connect switches to other switches ("trunks") and from operator and directory assistance services

Both parties agree that when an alternative local exchange carrier ("ALEC") acquires unbundled local switching pursuant to Section 251 (c) (3) of the Act, the ALEC would have the ability to provide local exchange and exchange access services using the ILEC's unbundled switching.

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Both parties agree that the rate structure for when an ALEC acquires the unbundled ILEC switching would be comprised of a recurring, flat-rate charge and a usage sensitive charge. Except as specified below, and unless the parties to a negotiation agree otherwise, both parties agree that those charges would be cost-based pursuant to Sections 251 (c) (3) and 252 (d) (1) of the Act, and the nature of those charges (i.e., flat-rate versus usage sensitive) would reflect the underlying cost characteristics of the ILEC's switch and its component features, functions, and capabilities.

Neither party supports, nor has AT&T or NYNEX advocated, physical switch partitioning or allocation of a "portion" of the switch (i.e., Chunk of Switch).

Both parties agree that it is acceptable to order and provision unbundled switching on a per loop, one-at-a-time, basis. In addition, both parties agree that an ALEC shall be able to order unbundled switching for multiple loops for individual customers and/or individual loops for multiple customers.

While not specifically discussed at the June 5th meeting, both parties agree that different types of loop terminations would be defined in order to address specific capabilities. For instance, one termination may be defined with the capabilities associated with providing "POTS." Another termination may be defined to support ISDN capabilities. Each termination would be specifically defined in terms of technical attributes rather than "traditional services."

AREAS OF DIFFERING VIEWS:

VERTICAL FEATURES:

Both parties agree that vertical features will be provided. However, agreement could not be reached on how they would be made available.

AT&T maintains that the switch features, functions, and capabilities that provide vertical features (e.g., call forwarding) are an integral component of switching that should be included within the cost-based charge for the unbundled switching.

NYNEX maintains that vertical services (e.g., call forwarding) should be provided on an item-by-item resale basis.

AREAS OF DISAGREEMENT:

PRICING OF VERTICAL FEATURES:

The parties do not agree on the pricing methodology for the vertical features.

AT&T maintains that the charge(s) to ALECs for the switch features, functions, and capabilities that provide vertical features should, as with all other switch features,

functions, and capabilities provided pursuant to Section 251 (c) (3), be set at the TSLRIC of providing those features, functions, and capabilities.

NYNEX supports resale pricing (i.e., retail price minus avoided costs) when the switch feature, function and/or capabilities are at their lowest technically feasible level and are also available as a resale service.

OVERALL PRICING METHODOLOGY

Both parties disagree on the unbundled network element costing methodology to be used to determine cost plus reasonable profit.

OTHER

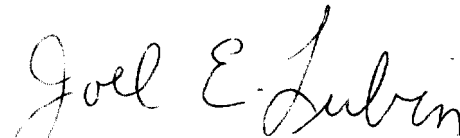
The parties did not identify all of the features, functions, and capabilities of unbundled switching, discuss Advanced Intelligent Network ("AIN") and related capabilities of provisioning the switch AIN triggers and associated signaling access to intelligent platforms, or consider other matters not specifically addressed above.

Both parties stand ready to continue their work with the Commission, each other, and other industry participants to assist the Commission in this historic proceeding.

Sincerely,



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cc: R. Metzger